

LINCOLN TOWNSHIP PUBLIC LIBRARY

STEVENSVILLE, MICHIGAN

FINANCIAL STATEMENTS

Year ended March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Lincoln Township Public Library	County Berrien
Fiscal Year End March 31, 2006	Opinion Date June 8, 2006	Date Audit Report Submitted to State August 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

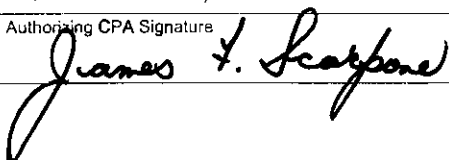
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	Verbal communication for suggestions deemed appropriate	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Scarpone & Co., P.C.		Telephone Number 269-684-5100	
Street Address 20 N. Second St., P.O. Box 146		City Niles	State MI
Zip 49120			
Authorizing CPA Signature 		Printed Name James F. Scarpone	
License Number 11507			

LINCOLN TOWNSHIP PUBLIC LIBRARY

STEVENSVILLE, MICHIGAN

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FINANCIAL STATEMENTS

Year ended March 31, 2006

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LINCOLN TOWNSHIP PUBLIC LIBRARY
STEVENSVILLE, MICHIGAN

BOARD OF TRUSTEES

Ronald G. Goldy	-	President
David H. Bailey	-	Vice-President
Mary Sundblad	-	Secretary
Robert J. Greendonner	-	Treasurer
Suzanne M. Jewell	-	Trustee
James R. Bednar	-	Trustee



SCARPONE & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

June 8, 2006

**Members of the Board of Trustees
Lincoln Township Public Library
Stevensville, Michigan**

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of Lincoln Township Public Library as of March 31, 2006, and for the year then ended as listed in the foregoing table of contents. These basic financial statements are the responsibility of the management of Lincoln Township Public Library. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Township Public Library as of March 31, 2006, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplemental information identified in the table of contents are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Scarpone & Co., P.C.

LINCOLN TOWNSHIP PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2006

Lincoln Township Public Library's Management's Discussion and Analysis is intended to assist the reader in focusing on significant Library financial issues, provide an overview of the financial activities of the Library for the year ended March 31, 2006, and changes in its financial position, identify any material deviations from the approved budget, and identify individual fund issues or concerns. Since Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and known facts, readers are encouraged to consider the information presented in conjunction with the Library's basic financial statements, which will follow this section.

Using this Report

This report consists of three parts - management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include information that presents two different perspectives of the Library as follows:

Fund level financial statements - The first three columns of the financial statements includes information about the Library's various funds reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. Further, in the fund level financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. Additionally, the issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are reported as expenditures. Future year's debt obligations are not recorded.

The following funds are used in accounting for the financial operations of the Library:

General Fund - The General Fund accounts for all revenues and expenditures of the Library not required to be accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Endowment Fund - The Endowment Fund accounts for the revenues and expenditures related to endowment activities of the Library.

The adjustments column of the financial statements represents adjustments necessary to convert the fund level financial statements to the government-wide financial statements under the full accrual method.

Government-Wide financial statements - The last column of the financial statements includes information about the Library reported on a full accrual basis. These statements report all of the Library's assets and liabilities, both short-term and long-term, regardless if they are "currently available" or not. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole, and therefore, present a longer-term view of the Library's financial status. These financial statements report how Library services were financed in the short-term as well as what remains for future spending.

LINCOLN TOWNSHIP PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

March 31, 2006

Additionally, the financial statements include "notes to basic financial statements" that further explain some of the information contained in the financial statements and provide more detailed information and disclosure. The basic financial statements are followed by a section of required supplementary information that further explains and supports the information presented in the basic financial statements.

Overall Financial Position

The Library's primary source of revenue is from property taxes and penal fines. For the year ended March 31, 2006, total tax collections were \$844,256, and total penal fines remitted totaled \$194,164, representing 72% and 17% of total revenues, respectively.

Salaries, related payroll taxes and fringe benefits are the largest overall expenditures of the Library. For the year ended March 31, 2006, these expenditures totaled \$518,746, representing 49% of the Library's total expenditures (63% of General Fund expenditures).

Library materials, which include books, audio books, videos and periodicals, were the second largest overall expenditures of the Library. These expenditures totaled \$108,947, representing approximately 10% of the Library's total expenditures (13% of General Fund expenditures).

Library Budget Highlights

There were no budgetary amendments made during the year ended March 31, 2006.

Contacting the Library's Financial Management

This financial report is intended to provide our citizens and taxpayers with a general overview of the Library's finances. If you have any questions about this report or need additional information, please contact the Lincoln Township Public Library for assistance.

**LINCOLN TOWNSHIP PUBLIC LIBRARY
GOVERNMENTAL FUNDS BALANCE SHEET
AND
STATEMENT OF NET ASSETS**

March 31, 2006

	<u>General Fund</u>	<u>Debt Service</u>	<u>Endowment Fund</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 316,792	\$ 322,723	\$ -
Investments	718,950	-	-
Beneficial interest in assets held by others	-	-	42,339
Taxes receivable	34,506	16,035	-
Accounts receivable	2,013	-	-
Interest receivable	2,290	-	-
Due from other governments	-	127	-
Capital assets	-	-	-
TOTAL ASSETS	\$ 1,074,551	\$ 338,885	\$ 42,339
<u>LIABILITIES</u>			
LIABILITIES:			
Accounts payable	\$ 3,098	\$ -	\$ -
Accrued payroll and employee benefits	20,682	-	-
Accrued interest	-	-	-
Bonds payable	-	-	-
TOTAL LIABILITIES	23,780	-	-
<u>FUND BALANCES/NET ASSETS</u>			
FUND BALANCES:			
Reserved	772,664	338,885	42,339
Undesignated	278,107	-	-
TOTAL FUND BALANCES	1,050,771	338,885	42,339
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,074,551	\$ 338,885	\$ 42,339
NET ASSETS:			
Invested in capital assets			
Endowment Fund			
Unrestricted			
TOTAL NET ASSETS			

See accompanying notes to basic financial statements.

<u>Total</u>	<u>Adjustments</u> <u>(Note J)</u>	<u>Statement of</u> <u>Net Assets</u>
\$ 639,515	\$ -	\$ 639,515
718,950	-	718,950
42,339	-	42,339
50,541	-	50,541
2,013	-	2,013
2,290	-	2,290
127	-	127
-	2,605,337	2,605,337
\$ 1,455,775	\$ 2,605,337	\$ 4,061,112

\$ 3,098	\$ -	\$ 3,098
20,682	-	20,682
-	36,453	36,453
-	2,075,000	2,075,000
23,780	2,111,453	2,135,233

1,153,888	(1,153,888)
278,107	(278,107)
1,431,995	(1,431,995)
\$ 1,455,775	

530,337
42,339
1,353,203
\$ 1,925,879

LINCOLN TOWNSHIP PUBLIC LIBRARY
GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

Year ended March 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Endowment Fund</u>
REVENUES:			
Property taxes	\$ 573,926	\$ 270,330	\$ -
State-shared revenues	25,474	-	-
County penal fines	194,164	-	-
Contract services fees	38,880	-	-
Copier charges	7,936	-	-
Book fines	11,679	-	-
Interest and dividends	20,587	183	1,301
Friends of Lincoln Township Public Library	6,206	-	-
Realized/unrealized investment gains	-	-	4,084
Other revenues	11,062	-	3,251
TOTAL REVENUES	889,914	270,513	8,636
EXPENDITURES:			
Salaries and wages	450,243	-	-
Payroll taxes and employee benefits	68,503	-	-
Utilities	43,636	-	-
Supplies and postage	17,450	-	-
Repairs and maintenance	38,196	-	-
Insurance	5,621	-	-
Professional services	5,075	-	-
Dues and subscriptions	5,789	-	-
Workshops and travel	7,622	-	-
Advertising and publicity	12,992	-	-
Library materials	108,947	-	-
Public copier expenses	2,600	-	-
Capital outlay	14,465	-	-
Automation - maintenance	30,188	-	-
Internet expenses	5,790	-	-
Friends of Lincoln Township Public Library	6,206	-	-
Depreciation	-	-	-
Bond principal payments	-	150,000	-
Interest	-	90,581	-
Bond fees	-	675	-
Miscellaneous	3,531	-	370
TOTAL EXPENDITURES	826,854	241,256	370
EXCESS OF REVENUES OVER EXPENDITURES/CHANGE IN NET ASSETS	63,060	29,257	8,266
FUND BALANCE/NET ASSETS, BEGINNING OF YEAR	987,711	309,628	34,073
FUND BALANCE/NET ASSETS, END OF YEAR	\$ 1,050,771	\$ 338,885	\$ 42,339

See accompanying notes to basic financial statements.

<u>Total</u>	<u>Adjustments</u> <u>(Note J)</u>	<u>Statement of</u> <u>Activities</u>
\$ 844,256	\$ -	\$ 844,256
25,474	-	25,474
194,164	-	194,164
38,880	-	38,880
7,936	-	7,936
11,679	-	11,679
22,071	-	22,071
6,206	-	6,206
4,084	-	4,084
14,313	1,000	15,313
1,169,063	1,000	1,170,063
450,243	-	450,243
68,503	-	68,503
43,636	-	43,636
17,450	-	17,450
38,196	(2,950)	35,246
5,621	-	5,621
5,075	-	5,075
5,789	-	5,789
7,622	-	7,622
12,992	-	12,992
108,947	-	108,947
2,600	-	2,600
14,465	(10,607)	3,858
30,188	-	30,188
5,790	-	5,790
6,206	(2,225)	3,981
-	100,401	100,401
150,000	(150,000)	-
90,581	(2,578)	88,003
675	-	675
3,901	-	3,901
1,068,480	(67,959)	1,000,521
100,583	68,959	169,542
1,331,412	424,925	1,756,337
\$ 1,431,995	\$ 493,884	\$ 1,925,879

LINCOLN TOWNSHIP PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
Year ended March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Lincoln Township Public Library ("Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant policies adopted by the Library are as follows:

REPORTING ENTITY:

Lincoln Township Public Library is located in Stevensville, Michigan and provides library services to residents in Lincoln, Royalton and Baroda Townships, and the Villages of Baroda and Stevensville. The Library was established pursuant to MCLA 397.210 as an authority. The Library is a separate legal entity, however the Library cannot issue debt nor levy taxes without Township approval. It is operated as a free cooperative public library, and is governed by a six member board elected by the citizens of Lincoln Township.

BASIS OF PRESENTATION:

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: Government-Wide Financial Statements (i.e., the Statement of Net Assets and the Statement of Activities) and Fund Financial Statements. The government-wide and fund financial statements are combined, with a reconciliation shown between them.

The accounts of the Library are organized into funds, each of which is considered to be a separate accounting entity. The following funds are used in accounting for the financial operations of the Library:

General Fund - The General Fund accounts for all revenues and expenditures of the Library not required to be accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Endowment Fund - The Endowment Fund accounts for the revenues and expenditures related to endowment activities of the Library.

The General Fund is budgeted and accounted for using the current financial resources measurement and the modified accrual basis of accounting. Revenue is recognized as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

LINCOLN TOWNSHIP PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

BUDGETS AND BUDGETARY ACCOUNTING:

The Library Board of Trustees adopts an annual operating budget using the basis of accounting described above. Any budget revisions must be approved by the Library Board of Trustees.

ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

COMPENSATING ABSENCES:

The Library's personnel policies permit the accumulation and carryforward of sick days. Full-time employees are allowed ten days in any one year while part-time employees can earn a maximum of 80 hours per year. Sick leave will accumulate from year to year to a maximum of thirty days for full-time employees and a maximum of 240 hours for part-time employees. Sick leave compensation available for employee carryforward at March 31, 2006 is estimated to approximate \$30,000. The Library's policies do not allow for termination payments related to any unused sick leave and accordingly, no accrual has been recorded by the Library at March 31, 2006 with respect to such compensated absences.

TAX INFORMATION:

Property tax revenues are recognized based on the date of tax levy (December 1).

CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are recorded at cost and include cash investments with original maturities of three months or less.

CAPITAL ASSETS:

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

LINCOLN TOWNSHIP PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED:

CAPITAL ASSETS-CONCLUDED:

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Building	50
General furnishings & equipment	10 - 20
Computers & related equipment	5

Library materials were determined to have generally exceeded their estimated useful lives and therefore are fully depreciated. Such assets are not reflected in the statement of net assets.

The minimum capitalization threshold is any item with a total cost greater than \$1,000.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

INVESTMENTS:

Investments are recorded at cost. The type of investments authorized by the Board of Trustees are as follows:

- a. Bonds, securities, and other obligations of the United States, the principal and interest of which are fully guaranteed by the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of banks, savings and loan associations or credit unions which are federally insured.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and maturing no more than 270 days after the date of purchase.
- d. United States Government federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.

LINCOLN TOWNSHIP PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended March 31, 2006

NOTE B - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following at March 31, 2006:

Petty cash	\$	190
Funds held by Lincoln Charter Township		322,723
Deposits in financial institutions		316,602
	\$	639,515

The above deposits in financial institutions of \$316,602 were reflected in the accounts of the Library's financial institutions (without recognition of checks written but not yet cleared, or of deposits in transit) at \$336,258. Of that amount, approximately \$237,882 was covered by federal depository insurance and \$98,436 was uninsured and uncollateralized.

NOTE C - INVESTMENTS:

Investments at March 31, 2006 consisted of certificates of deposit in financial institutions of \$718,950.

Of the above certificates of deposits in financial institutions of \$718,950, approximately \$676,516 was covered by federal depository insurance and \$42,434 was uninsured and uncollateralized.

NOTE D - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS:

During the year ended March 31, 2004, the Lincoln Township Public Library transferred certain funds to the Berrien Community Foundation in order to establish the Lincoln Township Public Library Endowment Fund.

The Agency Fund portion of the Endowment Fund represents the original assets transferred to establish the Fund and any subsequent donations received directly by the Library and forwarded to the Foundation. These amounts are reported as an asset on the Library's books at fair market value at March 31, 2006.

A summary of the activity in the Agency Fund portion of the Endowment Fund for the year ended March 31, 2006 is as follows:

Balance at March 31, 2005	\$	34,073
Donations received by the Library		3,251
Interest and dividends		1,301
Realized investment gains		188
Unrealized investment gains(losses)		3,896
Administrative fees		(370)
	\$	42,339

LINCOLN TOWNSHIP PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended March 31, 2006

NOTE D - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS-CONCLUDED:

Donations received directly by the Berrien Community Foundation that are earmarked for the Lincoln Township Public Library Endowment Fund are reported as an asset on the Foundation's books. The present value of the estimated expected future cash flows from this Fund are required to be reported as an asset of the Library. The fair market value of this portion of the Fund at March 31, 2006 approximated \$1,103. Accordingly, the fair market value of future earnings from this Fund is insignificant and no related asset has been recorded by the Library at March 31, 2006.

The Library has access to the income from both portions of the Fund, subject to the Foundation's spending policy as follows:

The annual payout factor for all endowment funds will be determined annually by the Investment Committee and applied to the weighted average market value for the last three years as of December 31, of each year. The earliest market value will be given a 25 percent weighting, the middle market value a 35 percent weighting and the latest a 40 percent weighting.

NOTE E - CAPITAL ASSETS:

Capital asset activity of the Library for the year ended March 31, 2006 was as follows:

	Balance March 31, <u>2005</u>	<u>Additions</u>	<u>Dispositions</u>	Balance March 31, <u>2006</u>
Capital assets being depreciated:				
Building	\$ 3,042,870	\$ -	\$ -	\$ 3,042,870
General furnishings and equipment	470,294	3,950	-	474,244
Computers and related equipment	77,101	12,832	5,603	84,330
	3,590,265	16,782	5,603	3,601,444
Accumulated depreciation:				
Building	682,767	60,857	-	743,624
General furnishings and equipment	165,614	28,613	-	194,227
Computers and related equipment	52,928	10,931	5,603	58,256
	901,309	100,401	5,603	996,107
Net capital assets	\$ 2,688,956	\$ (83,619)	\$ -	\$ 2,605,337

LINCOLN TOWNSHIP PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended March 31, 2006

NOTE F - RESERVED FUND BALANCE:

Reserved fund balance of the General Fund consisted of the following at March 31, 2006:

Reserved for Library operations for fiscal year ending March 31, 2007	\$ 551,503
Reserved for capital expenditures	74,013
Reserved for contingencies	144,000
Reserved for One Book, One Community Project	3,148
	\$ 772,664

NOTE G - RISK MANAGEMENT:

The Library maintains commercial insurance to insure potential significant losses. There have been no significant changes in insurance coverage for the year ended March 31, 2006.

NOTE H - LONG-TERM DEBT:

General long-term debt consisted of the following at March 31, 2006:

4.0% - 4.3% Unlimited Tax General Obligation Library Bonds, with annual principal payments of \$150,000 to \$325,000 and semi-annual interest payments, final maturity May, 2014	\$ 2,075,000
--	--------------

The principal reductions of general long-term debt for each of the next five years ending March 31 are as follows:

2007	\$ 150,000
2008	175,000
2009	200,000
2010	200,000
2011	225,000
Thereafter	1,125,000
Total	\$ 2,075,000

The following is a summary of the changes in general long-term debt for the year ended March 31, 2006:

	Balance March 31, <u>2005</u>	<u>Additions</u>	<u>Deductions</u>	Balance March 31, <u>2006</u>
Bonds payable	\$ 2,225,000	\$ -	\$ 150,000	\$ 2,075,000

LINCOLN TOWNSHIP PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
Year ended March 31, 2006

NOTE I - EMPLOYEE BENEFIT PLAN:

The Library participates in a defined contribution retirement plan as a part of the Michigan Township's Association Master Compensation Plan. Employees must have completed one year of service, have at least five hundred hours of compensated service during the prior year, and be at least twenty-one years of age to participate in the plan. The Library contributes 5% of eligible employee's wages to the Plan. Library expenditures in connection with the plan amounted to \$18,860 for the year ended March 31, 2006.

NOTE J - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Total fund balance and the net change in fund balance of the Library's General Fund could differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. The difference primarily may result from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - modified accrual basis	\$ 1,431,995
Amounts reported in the Statement of Net Assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	2,605,337
Interest payments on long-term liabilities are not due and payable in the current period and are not reported in the funds	(36,453)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,075,000)

Net Assets of General Fund - full accrual basis	\$ 1,925,879

LINCOLN TOWNSHIP PUBLIC LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS - CONCLUDED
Year ended March 31, 2006

NOTE J - RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS-CONCLUDED:

Net Changes in Fund Balance - modified accrual basis	\$	100,583
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Amounts reported in the Statement of Activities are different because:

Capital outlays are reported as expenditures in the Statement of Revenues, Expenditures, and Changes in Fund Balance; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay		16,782
Depreciation		(100,401)

Decrease in accrued interest reported as a decrease in an expenditure in the Statement of Activities, but not in the fund statements		2,578
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Repayments of bond principal are reported as an expenditure in the fund statements; in the statement of activities these payments reduce long-term debt		150,000
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Change in Net Assets of General Fund - full accrual basis	\$	169,542
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NOTE K - RESTATEMENT OF BEGINNING NET ASSETS:

An adjustment was made to the beginning net asset value in the amount of \$4,721 for adjustments that were made to the list of capital assets. Several items that were acquired in previous years were omitted from the asset listing for the year ended March 31, 2005. The asset listing was revised to reflect these assets and therefore the net asset value was increased to reflect this change as follows:

Net Assets per March 31, 2005 financial statement	\$	1,751,616
Capital asset adjustment		4,721
Net Assets at March 31, 2005 as restated	\$	1,756,337

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REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN TOWNSHIP PUBLIC LIBRARY
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

Year ended March 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 543,688	\$ 543,688	\$ 573,926	\$ 30,238
State-shared revenues	17,200	17,200	25,474	8,274
County penal fines	209,308	209,308	194,164	(15,144)
Contract services fees	64,800	64,800	38,880	(25,920)
Copier charges	8,500	8,500	7,936	(564)
Book fines	9,000	9,000	11,679	2,679
Interest	8,000	8,000	20,587	12,587
Friends of Lincoln Township Public Library	6,000	6,000	6,206	206
Other revenues	12,416	12,416	11,062	(1,354)
TOTAL REVENUES	878,912	878,912	889,914	11,002
EXPENDITURES:				
Salaries and wages	468,196	468,196	450,243	17,953
Payroll taxes and employee benefits	74,488	74,488	68,503	5,985
Utilities	46,800	46,800	43,636	3,164
Supplies and postage	16,500	16,500	17,450	(950)
Repairs and maintenance	33,600	33,600	38,196	(4,596)
Insurance	10,000	10,000	5,621	4,379
Professional services	7,250	7,250	5,075	2,175
Dues and subscriptions	6,100	6,100	5,789	311
Workshops and travel	7,500	7,500	7,622	(122)
Advertising and publicity	7,200	7,200	12,992	(5,792)
Library materials	119,950	119,950	108,947	11,003
Public copier expenses	2,400	2,400	2,600	(200)
Capital outlay	10,000	10,000	14,465	(4,465)
Automation - maintenance	28,000	28,000	30,188	(2,188)
Internet expenses	7,500	7,500	5,790	1,710
Friends of Lincoln Township Public Library	6,000	6,000	6,206	(206)
Miscellaneous	4,600	4,600	3,531	1,069
TOTAL EXPENDITURES	856,084	856,084	826,854	29,230
EXCESS OF REVENUES OVER EXPENDITURES	22,828	22,828	63,060	40,232
FUND BALANCE, BEGINNING OF YEAR	987,711	987,711	987,711	-
FUND BALANCE, END OF YEAR	\$ 1,010,539	\$ 1,010,539	\$ 1,050,771	\$ 40,232

See auditor's report and accompanying notes to basic financial statements.

OTHER FINANCIAL INFORMATION

LINCOLN TOWNSHIP PUBLIC LIBRARY
GENERAL LONG-TERM DEBT - 1999 UNLIMITED TAX GENERAL
OBLIGATION LIBRARY BONDS
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS
March 31, 2006

Year Ending March 31,	Principal May 1	Interest Requirements		Total Interest	Total Requirements
		May 1	November 1		
2007	\$ 150,000	\$ 43,744	\$ 40,744	\$ 84,488	\$ 234,488
2008	175,000	40,744	37,156	77,900	252,900
2009	200,000	37,156	33,006	70,162	270,162
2010	200,000	33,006	28,806	61,812	261,812
2011	225,000	28,806	23,969	52,775	277,775
2012	250,000	23,969	18,594	42,563	292,563
2013	250,000	18,594	13,281	31,875	281,875
2014	300,000	13,281	6,906	20,187	320,187
2015	325,000	6,906	-	6,906	331,906
	\$ 2,075,000	\$ 246,206	\$ 202,462	\$ 448,668	\$ 2,523,668